

## **INHERITANCE TAX**

### **I. Inheritance Tax Statute**

Tennessee inheritance tax is imposed by Part 3 of Chapter 8, Title 67, Tennessee Code Annotated. An inheritance tax is a tax upon the privilege of receiving property by transfer because of a decedent's death.

### **II. Filing Requirements**

- A. If the gross estate of a resident decedent is less than the maximum single exemption allowed by Tenn. Code Ann. Section 67-8-316, the representative is not required to file an inheritance tax return.
- B. If the gross estate is greater than the exemption, the personal representative of the estate must file an inheritance tax return.

### **III. Statutory Exemptions**

<b>Exemption Amount</b>	<b>Date of Death</b>
\$600,000	1/1/1987 – 06/30/1998
\$625,000	7/1/1998 – 12/31/1998
\$650,000	1/1/1999 – 12/31/1999
\$675,000	1/1/2000 – 12/31/2001
\$700,000	1/1/2002 – 12/31/2003
\$850,000	1/1/2004 – 12/31/2004
\$950,000	1/1/2005 – 12/31/2005
\$1,000,000	On or after 1/1/2006

### **IV. Time For Filing - Payment Of Tax**

- A. The return is due nine months after the date of the decedent's death. Tax must be paid within such period unless extension of time for payment has been granted.
- B. Check or money order for payment of the tax should be made payable to "Tennessee Department of Revenue."
- C. The personal representative must sign and verify the return. Such persons are responsible for filing the return and held liable for any taxes due.

### **V. Completion of Return**

- A. Short form inheritance tax return (Inh 302) - used if gross estate is below the statutory exemption

- B. Long form inheritance tax return (Inh 301) - used if gross estate is equal to or exceeds the statutory exemption.

VI. Return Considerations For Schedules A Through K, M, and O

- A. Real Estate - fair market value, special use discounts, partial interest, alternate valuation, (out-of-state property not included).
- B. Stocks and Bonds - valuation, closely held stock.
- C. Cash, Notes and Mortgages - notes, accrued interest, CD, bank accounts.
- D. Life Insurance - valuation, verification of ownership.
- E. Jointly Owned Property - verification of tenants by the entirety, joint interest, verification of contribution.
- F. Miscellaneous Property - personal property, partnership valuation.
- G. Transfers - verifying gift tax returns, trusts (insurance, joint trust, irrevocable and revocable trust), remainder interest, life estate.
- H. Powers of Appointment - credit for previously paid tax, general and limited power of appointment.
- I. Annuities – valuations.
- J. Debts and Mortgages - allowable deductions.
- K. Miscellaneous Deduction - funeral expense, reasonable executor and attorney fees.
- L. Marital Deduction - QTIP election, joint property, disclaimers, elective share.
- M. Charitable Bequests - qualified charities.

VII. Supplemental Documents Required To Be File With Return

- A. Copy of the descent's will.
- B. Federal form(s) 712 for insurance policies.
- C. Trust instruments.
- D. Copy of the federal form 706.

VIII. Computation of Tax - Rate

<b>Net Taxable Estate</b>	<b>Applicable Tax Rate</b>
Not over \$40,000	5.5% of net taxable estate
Over \$40,000 but not over \$240,000	\$2,200, plus 6.5% of the excess over \$40,000
Over \$240,000 but not over \$440,000	\$15,200, plus 7.5% of the excess over \$240,000
Over \$440,000	\$30,200, plus 9.5% of the excess over \$440,000